```
VZCZCXRO9900
OO RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHRA #0723 2701453
ZNR UUUUU ZZH
O 271453Z SEP 07
FM AMEMBASSY RIGA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4390
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
```

UNCLAS RIGA 000723

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: PGOV KCOR KCRM LG
SUBJECT: LATVIAN ANTI-CORRUPTION CHIEF SUSPENDED

Ref: RIGA 107

¶1. Summary: Prime Minister Kalvitis has suspended and initiated a
disciplinary case against Aleksejs Loskotovs, the head of the
Latvian Anti-Corruption Bureau (KNAB). The charges stem from the
alleged discovery of "continued and serious violations concerning
the use and accounting of operative financial resources" resulting
from the State Auditor's Office 2006 audit of the KNAB. The GOL and
the Prosecutor General's office have launched a total of three
separate inquiries to determine whether Loskotovs will keep his
position and also whether the allegations against him are
legitimate. While the Prime Minister insists this is a serious
situation, most outside observers believe that Loskotov's suspension
is part of a larger effort to block the work of the KNAB. End
summary.

¶2. In 2006 the respected State Auditor's Office performed an annual
audit of both of the KNAB's public budget and classified operating
budget. Loskotovs' suspension is in response to findings from the
operating budget audit. State Auditor Inguna Sudraba stated that
politicians have never reacted so strongly to State Audit Office's
findings. She said that the response is inconsistent with government
reaction to previous audits, and is concerned it may appear that the
Prime Minister is using the Auditor's office to attain political
goals.

¶3. Kalvitis received the Auditor's report in June, but only now
reacted. He reviewed the issue at the National Security Council
meeting on September 19, including the President, FM, DefMin and
other, before making the decision to proceed with the suspension and
inquiries. Kalvitis claimed that he has observed misuse of this
budget for years and was "fed up" with it.

¶4. In press interviews, Loskotovs has speculated that his suspension
is related to the personal interests of businessman and People's
Party (TP) founder Andris Skele and Ventspils Mayor Aivars Lembergs,
and "a revenge for the successful work of KNAB." Kalvits reacted
strongly against this allegation.

¶5. Loskotovs is suspended indefinitely as Kalvitis oversees the
management of the KNAB, but Loskotovs can only be removed by a
majority vote of the parliament. To study whether Loskotovs is fit
to maintain his position the GOL has launched two inquiries; one
through the Prosecutor General's office and one through the State
Civil Administration. The Prosecutor General's office has launched
a separate investigation to determine the validity of the findings
in the Auditor's report. Once the Saeima receives the Commissions'
findings it will vote on whether Loskotovs will keep his position.
Currently there is no time frame for completion of these
investigations.

¶6. The more liberal press and many NGO's have been very critical of
the move. Transparency International Latvia (TI) stated on September
24 that the suspension of Loskotovs is "an unacceptable political
attack against the (KNAB)." TI underlined that the timing of the
government's action is also suspect, the KNAB's decisions in cases
of alleged overspending in the October 2006 parliamentary elections,

are due in October. TI called the actions the "last step in the anti-KNAB policy."

¶7. Comment: The KNAB has been on the political hit list of leading political figures in Latvia for some time. While we have no ability to judge the veracity of the charges against Loskotovs (and do not deny that there could be financial problems), certainly the appearance is of safeguarding the interests of Latvia's most corrupt political figures. We will continue to watch the conduct and outcome of the inquiries, future Government actions, and the identity of possible replacements should Loskotovs be removed. Current signals are far from encouraging.

Bailey